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Counsel to the Debtors and
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - x
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
: Jointly Administered
Debtors. : **Obj. Deadline: November 11, 2010**
- - - - - x **at 5:00 p.m. (ET)**

**NOTICE OF PROPOSED SETTLEMENT AGREEMENT AND STIPULATION BY
AND AMONG THE DEBTORS AND VONAGE MARKETING LLC**

PLEASE TAKE NOTICE that, on August 10, 2009, the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court") entered the Order Pursuant To 11 U.S.C. §§ 105 and 363, and Fed. R. Bankr. P. 2002, 9006, and 9019 Authorizing the Establishment of Procedures to Settle Certain Pre-Petition and Post-Petition Claims and Causes of Action Without Further Court Approval

(the "Settlement Procedures Order") (Docket No. 4401).¹ A copy of the Settlement Procedures Order (without exhibits) is annexed as Exhibit 1.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Settlement Procedures Order, the above-captioned debtors and debtors in possession (collectively, the "Debtors")² are authorized to negotiate and enter into stipulation and settlement agreements with third parties, subject to the procedures set forth in the Settlement Procedures Order and outlined herein.

PLEASE TAKE FURTHER NOTICE that, at this time, the Debtors have entered into a stipulation and settlement agreement (the "Agreement") with Vonage Marketing LLC (f/k/a Vonage Marketing Inc.) ("Vonage" and together with the Debtors, the "Parties" and each of which is a "Party"), a copy of which is annexed as Exhibit 2.

SUMMARY OF AGREEMENT TERMS³

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement (defined below) or the Settlement Procedures Order.

² The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), PRAHS, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address was 9950 Mayland Drive, Richmond, Virginia 23233 and currently is 4951 Lake Brook Drive, Glen Allen, VA 23060.

³ This section of the notice constitutes a summary of the material terms of the Agreement and is being provided for convenience only and should not be relied upon in any way. All parties are strongly encouraged to review the Agreement in its entirety. In the event there is a conflict between the notice and the Agreement, the Agreement shall control in all respects.

PLEASE TAKE FURTHER NOTICE that, in accordance with paragraph 10(b) of the Settlement Procedures Order, the material terms of the Agreement are as follows:

- (i) This is a Tier II Settlement.
- (ii) On December 19, 2008, Vonage filed claim number 1056, an administrative claim under section 503(b)(9) of the Bankruptcy Code against the Debtors' bankruptcy estates in the amount of \$69,022.58 ("Claim No. 1056").
- (iii) On January 29, 2009, Vonage filed proof of claim number 8012, a secured claim subject to an alleged right of setoff against the Debtors' bankruptcy estates ("Claim No. 8012" and together with Claim No. 1056, the "Vonage Claims"). Therein, Vonage claimed that it shipped \$555,979.26 worth of Product to the Debtors before the Petition Date. Claim No. 8012 was reduced to \$486,956.68 by virtue of the Second Supplemental Order on Debtors' Twenty-Third Omnibus Objection to Claims (Modification of Certain Duplicative 503(b)(9) Claims) (D.I. 7319).
- (iv) On February 15, 2010, the Debtors sent a letter to Vonage (the "Demand Letter"). Therein, the Debtors alleged that Claim No. 1056 was overstated by \$87.84 such that the appropriate amount of Claim No. 1056 is \$68,934.74.
- (v) The Debtors also alleged that Claim No. 8012 was overstated by \$246,797.08 such that the appropriate amount of Claim No. 8012 is \$309,182.18.
- (vi) The Debtors also alleged that they identified \$2,142,767.95 in receivables, chargebacks, returns, and other amounts (collectively, the "Alleged Receivables") that are currently due, owing, and payable

by Vonage to Circuit City Stores, Inc. Of the Alleged Receivables, \$319,525.98 arose prior to the Petition Date (the "Pre-Petition Alleged Receivables"), and \$1,823,241.97 arose on or after the Petition Date (the "Post-Petition Alleged Receivables"). The Debtors asserted that pursuant to Bankruptcy Code section 558, the Debtors were authorized to setoff the Pre-Petition Alleged Receivables against the Vonage Claims, first against Claim No. 1056 and then against Claim No. 8012, whereby after setoff, Claim No. 1056 would be reduced to \$0, Claim No. 8012 would be reduced to \$58,590.94 and reclassified as a general unsecured claim, and the Pre-Petition Alleged Receivables would be reduced to \$0. The Debtors sought turnover of the Post-Petition Alleged Receivables in the amount of \$1,823,241.97 pursuant to Bankruptcy Code section 542.

- (vii) The Debtors also asserted that pursuant to Bankruptcy Code sections 547 and 550, Vonage received transfers, made during the 90-day period prior to the Petition Date, that could be avoided and recovered by the Debtors (the "Alleged Preferential Transfers").
- (viii) Vonage disputed (i) the degree to which the Vonage Claims are overstated, and (ii) the amount of the Alleged Receivables. Additionally, Vonage asserted that it has a complete defense to the Alleged Preferential Transfers.
- (ix) The Parties engaged in a comprehensive reconciliation (the "Reconciliation") of the Vonage Claims and the Alleged Receivables.
- (x) Rather than proceed with litigation concerning the Demand Letter, the Vonage Claims, the Debtors' Alleged Receivables,

and the Debtors' Alleged Preferential Transfers, the parties engaged in good faith, arms' length negotiations to resolve the foregoing in their entirety.

(xi) Upon the Effective Date (as defined in the Settlement Agreement), in full satisfaction and settlement of the Alleged Receivables and the Alleged Preferential Transfers, the Parties agree that the Vonage Claims will be reduced to \$0.00 and disallowed in their entirety for all purposes in the Debtors' bankruptcy proceedings. The Parties further agree that Vonage shall pay the Debtors' estates the sum of \$675,000 (the "Settlement Payment").

(xii) The Parties agree that Vonage shall wire or cause to be wired the Settlement Payment to the Debtors within ten (10) days of the Effective Date of this Settlement Agreement to the account designated in written instructions provided by the Debtors to Vonage.

TIME AND PLACE FOR FILING OBJECTIONS TO THE PROPOSED AGREEMENT OR REQUESTING ADDITIONAL INFORMATION OR TIME TO CONSIDER THE AGREEMENT

PLEASE TAKE FURTHER NOTICE that, in accordance with paragraph 10(c) of the Settlement Procedures Order, any Notice Party may object (each an "Objection") to or request additional time or information (each a "Request") to evaluate the Agreement.

PLEASE TAKE FURTHER NOTICE that all Objections and Requests must be in writing and received by counsel to the Debtors and counsel to the Official Committee of Unsecured Creditors (see information below) by no later **November 11, 2010 at 5:00 p.m. (ET)** (the "Objection Deadline"). Each Objection or Request must be served on (i) the attorneys for the Debtors, (a) Skadden, Arps, Slate, Meagher & Flom, LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Gregg M. Galardi

(gregg.galardi@skadden.com) and Ian S. Fredericks (ian.fredericks@skadden.com) and (b) McGuireWoods LLP, One James Center, 901 E. Cary Street, Richmond, VA 23219, Attn: Douglas M. Foley (dfoley@mcguirewoods.com) and Daniel F. Blanks (dblanks@mcguirewoods.com), and (ii)(a) Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 11th Floor, Los Angeles, California 90067-4100, Attn: Jeff Pomerantz (jpomerantz@pszjlaw.com) and (b) 780 Third Avenue, 36th Floor, New York, NY 10017-2024, Attn: Robert Feinstein (rfeinstein@pszjlaw.com).

PLEASE TAKE FURTHER NOTICE that if you object to the Agreement and you do not want the Debtors to proceed with the Agreement or you want the Court to consider your views concerning the Agreement, you or your attorney must also:

file in writing with the Court, Clerk of Court, United States Bankruptcy Court, 701 East Broad Street, Suite 4000, Richmond, Virginia 23219, or electronically (www.vaeb.uscourts.gov), a written Objection pursuant to Local Bankruptcy Rule 9013-1(H). If you mail your Objection to the Court for filing, you must mail it early enough so the Court will **receive it on or before November 11, 2010 at 5:00 p.m. (ET).**

Any Objection to an Agreement must be submitted by the method described in the foregoing sentence. Objections will be deemed filed only when actually received at the address listed above.

PLEASE TAKE FURTHER NOTICE that, pursuant to paragraph 10(d) of the Settlement Procedures Order, if a Notice Party submits a Request, only such Notice Party shall have the later of (i) an additional five (5) days to object to the Agreement or (ii) in the case of a Request for additional information, three (3) days after receipt by the Notice Party of the additional information requested. Each Notice Party may only make one Request for additional time per Agreement, unless otherwise agreed to by the Debtors in their sole discretion.

[Remainder of page intentionally left blank]

PLEASE TAKE FURTHER NOTICE that, pursuant to paragraph 10(c) of the Settlement Procedures Order, if no Objection or Request is filed and served upon counsel for the Debtors and counsel for the Committee of Unsecured Creditors or counsel to the Debtors and counsel for the Committee of Unsecured Creditors do not receive a Request prior to the expiration of the Objection Deadline (as may be extended by Requests, if any, the **Debtors shall be authorized to enter into and consummate the Agreement without further order of the Court or any other action by the Debtors.**

Dated: October 28, 2010
Richmond, Virginia

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- and -

MCGUIREWOODS LLP

/s/ Douglas M. Foley
Douglas M. Foley
(VSB No. 34364)
Sarah B. Boehm
(VSB No. 45201)
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(804) 775-1000

Counsel for Debtors and Debtors in
Possession

EXHIBIT 1

(Settlement Procedures Order w/out Exhibit(s))

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

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In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : 1Case No. 08-35653 (KRH)
et al., :
:
Debtors. : Jointly Administered
- - - - - x

**ORDER UNDER 11 U.S.C. §§ 105 AND 363, AND FED. R. BANKR.
P. 2002, 9006, AND 9019 AUTHORIZING THE ESTABLISHMENT OF
PROCEDURES TO SETTLE CERTAIN PRE-PETITION AND POST-
PETITION CLAIMS AND CAUSES OF ACTION WITHOUT FURTHER COURT
APPROVAL**

Upon the motion (the "Motion")¹ of the Debtors
for entry of an order, pursuant to sections 105 and 363

¹ Each capitalized term not otherwise defined herein shall have the meaning ascribed to it in the Motion.

of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2002, 9006 and 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for entry of an order authorizing the establishment of procedures to settle certain pre-petition and post-petition claims and causes of action without further court approval; and the Court having reviewed the Motion; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby:

FOUND, DETERMINED, AND CONCLUDED that:

1. Based on the affidavits of service filed, due, proper and adequate notice of the Motion has been given in accordance with the Case Management Order and that no other or further notice is necessary;
2. The Notice Procedures are fair, reasonable, and appropriate.
3. The Settlement Procedures are fair reasonable, and appropriate.
4. The Notice and Settlement Procedures were proposed in good faith.

5. Pursuant to Bankruptcy Rule 9006, cause exists to shorten the applicable notice period in Bankruptcy Rule 2002(a)(3) with respect to each Settlement.

6. Upon the expiration of the applicable Notice Period without an objection or upon resolution of any filed objection after the applicable Notice Period, each Settlement that complies with the Notice and Settlement Procedures shall be deemed (i) fair and reasonable and (ii) to have satisfied the standards under Bankruptcy Code sections 105 and 363 and Bankruptcy Rule 9019.

7. The relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest.

ORDERED, ADJUDGED, AND DECREED that:

8. The Motion is GRANTED.

9. The Debtors are authorized, but not directed, to compromise and settle Disputed Claims and Cause of Action and Receivable Claims in accordance with the Settlement Procedures.

10. The Debtors shall provide key parties in interest with notice of each proposed Settlement. The Notice Procedures are as follows:

(a) The Debtors shall give written notice, by email or facsimile, if available, or overnight courier if email or facsimile are not available, of each proposed Settlement (the "Settlement Notice") to (i) the United States Trustee, (ii) counsel for the Committee of Unsecured Creditors, (iii) any party to the Settlement, and (iv) the Core Group and 2002 List (collectively, the "Notice Parties").

(b) The Settlement Notice (or the Settlement Agreement) shall specify (i) the identity of the other party to the Settlement, (ii) a summary of the dispute with such other party, including a statement of the Debtors' reasonable estimate of the Settlement Claim amount and the basis for the controversy, (iii) an explanation of why the Settlement of such Settlement Claim is favorable to the Debtors, their estates, and their creditors, and (iv) a copy of the proposed settlement agreement ("Settlement Agreement").

(c) The Notice Parties may object to or request additional time to evaluate the proposed Settlement in writing by no later than 5:00 p.m. (ET) (i) five (5) days for both Tier I Disputed Claims and Tier I Cause of Action and Receivable Claims or (ii) ten (10) days for both Tier II Disputed Claims and Tier II Cause of Action and Receivable Claims (each an individual "Notice Period") and serve such objection or request on counsel to the Debtors and counsel for the Creditors' Committee on or before the

expiration of the applicable Notice. If the Debtors are compromising more than one Disputed Claim and/or Cause of Action and Receivable Claim, the Tier II Notice Period shall apply to such Settlement. If no objection or written request is filed and served upon counsel for the Debtors and counsel for the Creditors' Committee or counsel to the Debtors does not receive a written request for additional information and/or additional time prior to the expiration of the applicable Notice Period, the Debtors shall be authorized to enter into and consummate the Settlement Agreement without further order of the Court or any other action by the Debtors.

(d) If a Notice Party provides a written request to counsel for the Debtors for additional information or time to evaluate the proposed Settlement, only such Notice Party shall have the later of (i) an additional five (5) days to object to the proposed Settlement or (ii) in the case of a request for additional information, three days after receipt by the Notice Party of the additional information requested. Each Notice Party may only make one request for additional time per Settlement Agreement, unless otherwise agreed to by the Debtors in their sole discretion.

(e) If a Notice Party objects to the proposed Settlement within the defined Notice Period for that particular Tier of Disputed Claim or Cause of Action and Receivable Claim, (or the additional period in the case of a Notice Party that has timely requested additional time or information to evaluate the proposed Settlement) (the "Objection Deadline") and the Debtors and such objecting Notice Party are unable to reach a consensual resolution,

the Debtors will not take any further action to consummate the proposed settlement without first obtaining Court approval for that specific Settlement. The Debtors are authorized to schedule the Settlement for a hearing at the next scheduled omnibus hearing following the Objection Deadline (or any subsequent hearing) without filing a separate motion or other pleading.

(f) If the Objection Deadline has passed and no objection has been filed with the Court or request for additional time or information has been received by the Debtors, the Debtors are authorized, but not directed, to file a "Certificate of No Objection" with the Court; provided, further, that each such Certificate shall set forth a statement that no objection was filed or received (or if any objection was filed or received, such objection has been resolved) and no request for additional time or information was received or, if such request was received, the additional period of review has expired.

(g) An objection will be considered properly filed and served only if it is filed with the Court, and actually received by the following parties on or before the Objection Deadline: (i) Clerk of the Bankruptcy Court, United States Bankruptcy Court, 701 East Broad Street - Room 4000, Richmond, VA 23219, (ii) the attorneys for the Debtors, (a) Skadden, Arps, Slate, Meagher & Flom, LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Gregg M. Galardi (gregg.galardi@skadden.com) and Ian S. Fredericks (ian.fredericks@skadden.com) and (b) McGuireWoods LLP, One James Center, 901 E. Cary Street, Richmond, VA 23219, Attn: Douglas M. Foley (dfoley@mcguirewoods.com)

and Daniel F. Blanks
(dblanks@mcguirewoods.com), and (iii) (a)
Pachulski Stang Ziehl & Jones LLP, 10100
Santa Monica Blvd., 11th Floor, Los Angeles,
California 90067-4100, Attn: Jeff Pomerantz
(jpomerantz@pszjlaw.com) and (b) 780 Third
Avenue, 36th Floor, New York, NY 10017-2024,
Attn: Robert Feinstein
(rfeinstein@pszjlaw.com).

(h) All time periods set forth in the
Notice Procedures shall be calculated in
accordance with Bankruptcy Rule 9006.

11. Subject to the Notice Procedures, the
Debtors are authorized to compromise and settle Disputed
Claims as follows:

(a) Tier I With respect to Disputed
Claims, the Debtors, in their sole
discretion, may negotiate, execute and
consummate written Settlement Agreements
with the Claimants that will be binding on
the Debtors and their estates without
further action by this Court. The Debtors
may, in full settlement of such Disputed
Claims, grant any Claimant an allowed claim
of an agreed upon priority or administrative
expense claim, as applicable, in an amount
not to exceed \$500,000.

(b) Tier II With respect to Disputed
Claims, the Debtors, in their sole
discretion, may negotiate, execute and
consummate written Settlement Agreements
with the Claimants that will be binding on
the Debtors and their estates without
further action by this Court. The Debtors
may, in full settlement of such Disputed
Claims, grant any Claimant an allowed claim
(priority or non-priority, as the case may

be) or administrative expense claim, as applicable, in an amount greater than \$500,000.

12. Subject to the Notice Procedures, the Debtors are authorized to compromise and settle Cause of Action and Receivable Claims as follows:

(a) Tier I With respect to pre- and post-petition Cause of Action and Receivable Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with third parties that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Cause of Action and Receivable Claims, compromise or settle a Cause of Action and Receivable Claim resulting in a cash payment to the Debtors' estates of a value (i) equal to or greater than seventy-five percent (75%) of the Debtors' original reasonable estimate of the Cause of Action and Receivable Claim amount and (ii) equal to or less than \$1,000,000.

(b) Tier II With respect to pre- and post-petition Cause of Action and Receivable Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with third parties that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Cause of Action and Receivable Claims, compromise or settle a Cause of Action and Receivable Claim resulting in a cash payment to the Debtors' estates of a value equal to (i) more than \$1,000,000 or (ii) less than

seventy-five percent (75%) of the Debtors' original reasonable estimate of the Cause of Action and Receivable Claim amount.

13. To memorialize the Settlements, the Debtors are authorized in their sole discretion, but not directed, to enter into Settlement Agreements substantially in the form of Exhibit A attached hereto; provided, further, that the material terms of each Settlement Agreement may vary depending upon the specific facts and circumstances of each Settlement and nothing herein or therein shall be construed as impairing the Debtors' ability to tailor the form of the Settlement Agreement to each specific Settlement.

14. The Debtors are authorized, but not directed, to resolve all of the Disputed Claims and Cause of Action and Receivable Claims of a single party in a single Settlement Agreement.

15. The Debtors shall provide written notice to Kurtzman Carson Consultants LLC ("KCC"), the Debtors' authorized claims and noticing agent, with respect to any proof of claim settled pursuant to these Settlement Procedures; provided, further, that, if applicable, KCC

is authorized and directed to amend the claims register accordingly without further order of the Court.

16. Following entry of this Order, unless otherwise agreed to between the Debtors and the Creditors' Committee, the Debtors' advisors shall provide weekly updates concerning ongoing settlement discussions to the Creditors' Committee's advisors. These updates shall include, without limitation, non-privileged information mutually agreed to among the parties' advisors. Once the Debtors reach an agreement in principle with a third party, the Debtors shall share the material terms of the Settlement with the Creditors' Committee's advisors. All information shared with the Creditors' Committee's advisors shall be deemed shared subject to the existing confidentiality agreement with the Debtors.

17. Assuming no objection has been filed by the applicable Objection Deadline, immediately after the expiration of the Notice Period (or, in the case of a filed objection that has been resolved, upon filing of a Certificate of No Objection) the Settlement Agreement

shall be deemed to be a final order of this Court for all purposes, including for purposes of any appeal.

18. In the event there is an inconsistency between the Motion and this Order, this Order shall control.

19. The requirement under Local Rule 9013-1(G) of the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia to file a memorandum of law in connection with the Motion is hereby waived.

20. This Court retains jurisdiction to hear and determine all matters arising from or related to the Motion, this Order or any Settlement.

Dated: Richmond, Virginia
_____, 2009

UNITED STATES BANKRUPTCY JUDGE

WE ASK FOR THIS:

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- and -

/s/ Douglas M. Foley
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(804) 775-1000

Counsel to the Debtors
and Debtors in Possession

CERTIFICATION OF ENDORSEMENT UNDER LOCAL RULE 9022-1(C)

Pursuant to Local Bankruptcy Rule 9022-1(C), I
hereby certify that the foregoing proposed order has
been endorsed by or served upon all necessary parties.

/s/ Douglas M. Foley
Douglas M. Foley

EXHIBIT 2

(Settlement Agreement)

Gregg M. Galardi, Esq.
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Counsel to the Debtors and
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - x
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
:
Debtors. : Jointly Administered
- - - - - x

**SETTLEMENT AGREEMENT AND STIPULATION BY AND AMONG THE
DEBTORS AND VONAGE MARKETING LLC**

This settlement agreement and stipulation
(this "Settlement Agreement") is entered into by and
among the above-captioned debtors and debtors in

possession (the "Debtors")¹, on the one hand, and Vonage Marketing LLC (f/k/a Vonage Marketing Inc.) ("Vonage" and together with the Debtors, the "Parties" and each of which is a "Party"), on the other hand.

GENERAL BACKGROUND

WHEREAS, on November 10, 2008 (the "Petition Date"), the Debtors each filed a voluntary petition in the United States Bankruptcy Court for the Eastern District of Virginia (the "Court") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"); and

WHEREAS, the Debtors have continued as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code; and

¹ The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), Prahs, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courcheval, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for the Debtors is 4951 Lake Brook Drive, Suite #500, Glen Allen, VA 23060.

WHEREAS, on November 12, 2008, the Office of the United States Trustee for the Eastern District of Virginia appointed a statutory committee of unsecured creditors (the "Creditors Committee"); and

WHEREAS, to date, no trustee or examiner has been appointed in these chapter 11 cases; and

WHEREAS, on January 16, 2009, the Court authorized the Debtors, among other things, to conduct going out of business sales at the Debtors' remaining 567 stores pursuant to an agency agreement (the "Agency Agreement") between the Debtors and a joint venture, as agent (the "Agent"). On January 17, 2009, the Agent commenced going out of business sales pursuant to the Agency Agreement at the Debtors' remaining stores. As of on or about March 8, 2009, the going out of business sales concluded; and

WHEREAS, on September 29, 2009, the Debtors and the Creditors Committee filed the First Amended Joint Plan of Liquidation of Circuit City Stores, Inc. and its Affiliated Debtors and Debtors In Possession and its Official Committee of Creditors Holding General Unsecured Claims (the "First Amended Plan"). The

associated disclosure statement (the "Disclosure Statement") was approved on September 24, 2009.

Confirmation of the First Amended Plan was originally scheduled for November 23, 2009, but has been adjourned from time to time; and

WHEREAS, on August 9, 2010, the Debtors and the Creditors Committee filed the Second Amended Joint Plan of Liquidation of Circuit City Stores, Inc. and Its Affiliated Debtors and Debtors in Possession and Its Official Committee of Creditors Holding General Unsecured Claims (the "Plan"); and

WHEREAS, the Plan was confirmed on September 8, 2010; and

WHEREAS, generally, the Plan provides for the liquidation of the Debtors under chapter 11 of the Bankruptcy Code; and

WHEREAS, the Debtors are authorized under the Court's Order Under 11 U.S.C. §§ 105 and 363, and Fed. R. Bankr. P. 2002, 9006, and 9019 Authorizing the Establishment of Procedures to Settle Certain Pre-Petition and Post-Petition Claims and Causes of Action Without Further Court Approval, dated August 7, 2009

(Docket No. 4401, the "Settlement Procedures Order")² to enter into this Settlement Agreement, subject to the Notice Procedures.

SETTLEMENT BACKGROUND

WHEREAS, the Debtors and Vonage engaged in business in the ordinary course prior to the Petition Date wherein the Debtors purchased certain Vonage products (the "Product") for sale in their retail stores; and

WHEREAS, on December 19, 2008, Vonage filed proof of claim number 1056, an administrative claim under section 503(b)(9) of the Bankruptcy Code against the Debtors' bankruptcy estates ("Claim No. 1056"). Therein, Vonage claimed that it shipped in the ordinary course of business \$69,022.58 worth of Product to the Debtors within the twenty day period prior to the Petition Date; and

WHEREAS, the Debtors objected to Claim No. 1056 in the Debtors' (I) Fifty-First Omnibus Objection to Certain 503(b)(9) Claims and (II) Motion for a Waiver

² All capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Settlement Procedures Order.

of the Requirement that the First Hearing on any Response Proceed as a Status Conference (the "Fifty-First Omnibus Objection") (D.I. 5214). Therein, the Debtors sought to temporarily disallow Claim No. 1056 pending the return of certain preferential transfers allegedly avoidable under Bankruptcy Code section 547 (the "Preferential Transfers"). As the alleged amount of the Preferential Transfers exceeded the amount of the Claim No. 1056, the Debtors sought temporary disallowance of Claim No. 1056 in its entirety; and

WHEREAS, Vonage filed a joinder to the responses of various other claimants opposing the relief sought by the Debtors in the Fifty-First Omnibus Objection (D.I. 5506); and

WHEREAS, on January 6, 2010, the Court entered its Memorandum Opinion and Order (D.I. 6228) sustaining the Fifty-First Omnibus Objection and temporarily disallowing Claim No. 1056 in its entirety; and

WHEREAS, on January 29, 2009, Vonage filed proof of claim number 8012, a secured claim subject to an alleged right of setoff against the Debtors' bankruptcy estates ("Claim No. 8012" and together with

Claim No. 1056, the "Vonage Claims"). Therein, Vonage claimed that it shipped \$555,979.26 worth of Product to the Debtors before the Petition Date; and

WHEREAS, on June 23, 2009, the Debtors objected to Claim No. 8012 in the Debtors' Twenty-Third Omnibus Objection to Claims (Modification of Certain Duplicate 503(b)(9) Claims) (D.I. 3711) (the "Twenty-Third Omnibus Objection") on the basis that it was partially duplicative of Claim No. 1056. Accordingly, the Debtors sought to reduce Claim No. 8012 by \$69,022.58; and

WHEREAS, on April 29, 2010, the Court entered its Second Supplemental Order on Debtors' Twenty-Third Omnibus Objection to Claims (Modification of Certain Duplicative 503(b)(9) Claims) (the "Second Supplemental Order") (D.I. 7319), which sustained the Twenty-Third Omnibus Objection with respect to Claim No. 8012, reducing it to \$486,956.68; and

WHEREAS, on February 15, 2010, the Debtors sent a letter to Vonage (the "Demand Letter"). Therein, the Debtors alleged that Claim No. 1056 was overstated by

\$87.84 on account of pricing discrepancies such that the appropriate amount of Claim No. 1056 is \$68,934.74; and

WHEREAS, in the Demand Letter, the Debtors also alleged that Claim No. 8012 was overstated by \$246,797.08 on account of quantity shortages, pricing discrepancies, invoice duplication on Claim No. 1056 as recognized by the Court in the Second Supplemental Order, and payments not applied such that the appropriate amount of Claim No. 8012 is \$309,182.18; and

WHEREAS, in the Demand Letter, the Debtors also alleged that they identified \$2,142,767.95 in receivables, chargebacks, returns, and other amounts (collectively, the "Alleged Receivables") that are currently due, owing, and payable by Vonage to Circuit City Stores, Inc.; and

WHEREAS, in the Demand Letter, the Debtors further alleged that of the Alleged Receivables, \$319,525.98 arose prior to the Petition Date (the "Pre-Petition Alleged Receivables"), and that \$1,823,241.97 arose on or after the Petition Date (the "Post-Petition Alleged Receivables"); and

WHEREAS, the Debtors asserted that pursuant to Bankruptcy Code section 558, the Debtors were authorized to setoff the Pre-Petition Alleged Receivables against the Vonage Claims, first against Claim No. 1056 and then against Claim No. 8012, whereby after setoff, Claim No. 1056 would be reduced to \$0, Claim No. 8012 would be reduced to \$58,590.94 and reclassified as a general unsecured claim, and the Pre-Petition Alleged Receivables would be reduced to \$0; and

WHEREAS, the Debtors asserted that pursuant to Bankruptcy Code section 542, Vonage was required to turnover to the Debtors' estates the Post-Petition Alleged Receivables in the amount of \$1,823,241.97; and

WHEREAS, the Debtors also asserted that pursuant to Bankruptcy Code sections 547 and 550, Vonage received transfers, made during the 90-day period prior to the Petition Date, that could be avoided and recovered by the Debtors (the "Alleged Preferential Transfers"); and

WHEREAS, in response to the Demand Letter, Vonage disputed (i) the degree to which the Vonage Claims are overstated, and (ii) the amount of the

Alleged Receivables. Additionally, Vonage asserted that it has a complete defense to the Alleged Preferential Transfers; and

WHEREAS, the Parties engaged in a comprehensive reconciliation (the "Reconciliation") of the Vonage Claims and the Alleged Receivables; and

WHEREAS, rather than proceed with litigation concerning the Demand Letter, the Vonage Claims, the Debtors' Alleged Receivables, and the Debtors' Alleged Preferential Transfers, the parties engaged in good faith, arms' length negotiations to resolve the foregoing in their entirety; and

NOW THEREFORE, subject to and in accordance with the Settlement Procedures Order, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties hereby STIPULATE AND AGREE AND IT IS HEREBY ORDERED that:

1. Upon the Effective Date (as defined herein), in full satisfaction and settlement of the Alleged Receivables and the Alleged Preferential Transfers, the Parties agree that the Vonage Claims will be reduced to \$0.00 and disallowed in their entirety for

all purposes in the Debtors' bankruptcy proceedings.

The Parties further agree that Vonage shall pay the Debtors' estates the sum of \$675,000 (the "Settlement Payment").

2. To the extent required, the automatic stay of 11 U.S.C. § 362 is lifted to permit the netting set forth in Paragraph 1 above.

3. The Parties agree that Vonage shall wire or cause to be wired the Settlement Payment to the Debtors within ten (10) days of the Effective Date of this Settlement Agreement to the account designated in written instructions provided by the Debtors to Vonage.

4. The Parties agree (1) to toll and suspend the running of any and all statutes of limitations and other deadlines, including but not limited to any statutes of limitations and other deadlines governed by 11 U.S.C. § 108 and 11 U.S.C. § 546, and statutes or periods of repose applicable to any and all possible or potential claims, remedies, or causes of action that may be asserted by the Debtors or their successors (including (without limitation) the Liquidating Trustee (as defined in the Plan)) against Vonage from the date

of this Settlement Agreement through and including November 30, 2010, and (2) the Parties agree that Vonage waives the benefit of, and agrees not to assert as a defense or otherwise, to the extent so tolled, any statute of limitations or other deadline, including (without limitation) those governed by 11 U.S.C. § 108 and 11 U.S.C. § 546, statutes or periods of repose, or laches in any action commenced against it by the Debtors or their successors (including (without limitation) the Liquidating Trustee) on or before January 31, 2011 (this paragraph, the "Tolling Agreement"); provided, however, that nothing in the Tolling Agreement (a) precludes Vonage from asserting a defense, nor the Debtors' or the Liquidating Trustee's right to contest such defense, based on statutes of limitations, statutes or periods of repose, or laches, but only to the extent such defense(s) were available to Vonage before October 28, 2010, or (b) precludes Vonage from asserting any defenses (other than those tolled by the Tolling Agreement), claims, counterclaims, or rights of setoff against the Debtors, the Liquidating Trustee (solely in such capacity), the Liquidating Trust (as defined in the Plan), or the

Debtors' post-confirmation estates nor precludes the Debtors, the Liquidating Trustee, the Liquidating Trust or the Debtors' post-confirmation estates from opposing Vonage's assertion of defenses, claims, counterclaims, or rights of setoff against the Debtors, the Liquidating Trustee, the Liquidating Trust or the Debtors' post-confirmation estates.

5. Upon receipt by Circuit City of the Settlement Payment, Vonage, Vonage Holdings Corp, Vonage America Inc., Novega Venture Partners, Inc., and Vonage Network LLC (collectively, the "Vonage Entities"), each on behalf of itself and its successors and assigns, and the Debtors, on behalf of themselves, and each on behalf of their respective estates, successors, and assigns (including but not limited to any trustee appointed in any of these chapter 11 cases or any successor or subsequent bankruptcy cases, any receivers and/or other custodians appointed in any action or proceeding involving the Debtors' property and the liquidating trustee under the Plan), hereby irrevocably and fully release one another from and against any and all claims or causes of action (including, but not limited to,

causes of action under Bankruptcy Code sections 502, 542, 543, 544, 546, 547, 548, 549, 550, 553 and 558) arising from, in connection with, or related to the Alleged Receivables, the Vonage Claims, and the Alleged Preferential Transfers (this paragraph, the "Releases"). Upon the receipt of the Settlement Payment, the Tolling Agreement shall expire and any tolled claims, remedies, or causes of action, if actually filed by the Debtors, the Liquidating Trustee, the Liquidating Trust or the Debtors' post-confirmation estates, shall be dismissed with prejudice.

6. For the avoidance of doubt and notwithstanding anything to the contrary in this Settlement Agreement, (i) the Releases are not intended as general releases or waivers and nothing in this Settlement Agreement shall be construed as such, (ii) the Vonage Entities shall not file nor be entitled to recover on account of any claims in the Debtors' cases, (iii) other than the Settlement Payment, the Debtors shall not be entitled to recover any further credits, rebates, receivables, setoffs, netting, or discounts from the Vonage Entities, and (iv) the Vonage Entities

and the Debtors specifically acknowledge and agree that this Settlement Agreement is not intended to, and does not, release or otherwise affect in any way any actual claims or causes of action (or potential claims or causes of action similar in nature or type to such actual claims or causes of action) now or hereinafter asserted in, based on, or relating to the multi-district litigation captioned In re: TFT-LCD (Flat Panel) Antitrust Litigation, MDL No. 1827 (N.D. Cal.) and the actions consolidated therein (the "MDL Proceeding").

7. Neither this Settlement Agreement, nor any statement made or action taken in connection with the negotiation of this Settlement Agreement, shall be offered or received in evidence or in any way referred to in any legal action or administrative proceeding among or between the parties hereto, other than as may be necessary (a) to obtain approval of and to enforce this Settlement Agreement or (b) to seek damages or injunctive relief in connection with such approval and enforcement.

8. Each Party hereto shall execute and deliver any and all additional papers, documents and

other assurances, and shall do any and all acts and things reasonably necessary or appropriate in conjunction with the performance of their respective obligations hereunder.

9. No provision of this Settlement Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any person other than the parties hereto and their respective successors and assigns.

10. Except where preempted by applicable Federal law, this Settlement Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Virginia without regard to any choice of law provisions.

11. This Settlement Agreement may be signed in counterpart originals and delivered by facsimile or email, which, when fully executed, shall constitute a single original.

12. This Settlement Agreement constitutes the entire agreement and understanding of the parties regarding the Settlement Agreement and the subject matter thereof.

13. The United States Bankruptcy Court for the Eastern District of Virginia shall retain exclusive jurisdiction (and the parties consent to such retention of jurisdiction) with respect to any disputes arising from or related to, or other actions to interpret, administer or enforce the terms and provisions of, this Settlement Agreement.

14. Each person or entity who executes this Settlement Agreement on behalf of another person or entity represents and warrants that he, she, or it is duly authorized to execute this Settlement Agreement on behalf of such person or entity, has the requisite authority to bind such person or entity, and such person or entity has full knowledge of and has consented to this Settlement Agreement. The representations and warranties set forth in this paragraph shall survive execution of this Settlement Agreement.

15. This Settlement Agreement shall not be modified, altered, amended or vacated without the written consent of all parties hereto or order of the Court.

16. This Settlement Agreement and all of its terms shall be effective upon the later of (i) execution by both Parties and (ii) the expiration of the applicable Notice Period (the "Effective Date").

17. This Settlement Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Parties hereto, including any Chapter 7 trustee or the Liquidating Trustee under the Plan.

IN WITNESS WHEREOF, this Settlement Agreement
is hereby executed as of the later of the dates set
forth below.

ACCEPTED AND AGREED TO BY:

CIRCUIT CITY STORES, INC.

By:

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- and -

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- and -

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Counsel for Circuit City Stores, Inc.,
et al., Debtors and Debtors in Possession

Dated: October 28, 2010

VONAGE

By:

/s/ Gerald Maloney
Gerald Maloney
Senior Vice President Finance
Vonage
23 Main Street
Holmdel, New Jersey 07728

Dated: October 28, 2010